

Co-Financial Advisor Contracts

Finance, Audit and Accountability Committee

January 23, 2006

Purpose

- To provide an update on the status of the Co-Financial Advisor contract Request for Proposal
- Make an award recommendation

Background

- Current Financial Advisor and Arbitrage Rebate Calculation contracts expired on December 31,2005
- RFP issued in November 2005
- 1 Proposal received
 - First Southwest and Estrada Hinojosa – the City's current Co-Financial Advisors
- City Auditor's Office does not object to the award of this contract

Background

Financial Advisory Services

- Assist with preparations for bond sales
- Assist with bond sales
- Assist with preparations for and presentations to bond rating agencies and, as needed, bond insurers
- Provide advice and assistance as needed (eg RFP for underwriting syndicates, Water Commercial Paper Program)
- Assist with certain aspects of capital budgeting and financial planning
- Prepare arbitrage rebate computations and reports

Contract History

- First Southwest has been the City's financial advisor since 1957
- Estrada Hinojosa and Company has been co-financial advisor since 1995

Contractual Arrangement

- Both firms will continue as co-financial advisors
- Enter into 2 separate 5 year contracts
- Split the bond issuance advisory work
 - 60% First Southwest
 - 40% Estrada Hinojosa
- All arbitrage rebate work will continue to be performed by First Southwest

Fee Structure

	First Southwest	Estrada Hinojosa	Total
First \$15,000,000	\$15,000	\$10,000	\$25,000
Next \$15,000,000	\$0.60 per \$1,000	\$0.40 per \$1,000	\$1.00 per \$1,000
Over \$30,000,000	\$0.36 per \$1,000	\$0.24 per \$1,000	\$0.60 per \$1,000

- Advisory services related to bond sales are contingent upon the sale and delivery of the bonds
- Payment for bond sale services are made from the proceeds or interest earnings on the proceeds.
- Fees for advisory work not associated with a particular bond sale are based on hourly rates and will not exceed \$60,000 per year for First Southwest and \$40,000 per year for Estrada Hinojosa
- Fees for arbitrage rebate computations are \$2,000 per bond issue, with certain reductions granted, and will not exceed \$80,000 per year

Note: No changes to the fee structure from the current contract are proposed.

Recommendation

- Award contracts to First Southwest and Estrada Hinojosa on January 25 Council agenda

Questions